ad comp

file

Ram Petroleums Limited

Annual Report 1973

R. J. OPEKAR
PRESIDENT

RAM PETROLEUMS LIMITED
P.O. BOX 90, SUITE 1000
THE SIMPSON TOWER
401 BAY STREET
TORONTO 103, CANADA

(416) 863-1010

RAM PETROLEUMS LIMITED

(Incorporated under the laws of Ontario)

Executive and Head Office Suite 1000, The Simpson Tower, 401 Bay Street, Toronto, Ontario M5H 2Y4

Directors
Howard R. Barclay
Richard H. Krempulec
Ralph W. McDowell
Robert J. Opekar
R. Bredin Stapells, Q.C.

Officers
Robert J. Opekar, President
Richard H. Krempulec, Secretary

Exploration Manager
Cyril J. Hadley, P.Geol., P.Eng.

Staff Geologist
Robert O. Cochrane, P.Geol., P.Eng.

Transfer Agents
Guaranty Trust Company of Canada
Toronto, Ontario

The Bank of Butterfield Executor
and Trustee Company Ltd.
Hamilton, Bermuda

Auditors
Dunwoody & Co.
Toronto, Ontario

Banker
Royal Bank of Canada
20 King St. W.,
Toronto, Ontario

General Counsel
Stapells & Sewell,
Toronto, Ontario

REPORT TO SHAREHOLDERS

Your company continued to improve its position in various exploration projects during 1973. This was done during a period of tight money and despite very substantially reduced revenues due to your management's decision in 1972 to curtail gas production from its Terminus Pool.

Negotiations to sell the Terminus Pool began late in 1973. Two offers to purchase have been received so far from Canadian companies and negotiations have reached an advanced stage with one of them. Management is attempting to obtain a price for this asset in line with the price level for such an asset in the neighbouring State of Michigan. Unfortunately, recent decisions by the Federal and Provincial governments in Canada have resulted in U.S. companies losing interest in doing business in Canada. This has made it more difficult to interest American gas distributing companies in utilizing an Ontario gas storage pool such as Terminus. However, it is still possible that Ram will receive a proposal from a U.S. operator for the sale or rental of the Terminus Pool. In any event negotiations to sell Terminus are expected to be completed within a few months.

Your company's main policy in recent years has been to farm out all Canadian properties located outside of the Province of Ontario and to increase its investment in U.S. properties, particularly in the States of Michigan and Utah. In view of the recent Federal Government's proposal contained in the budget speech of May 6 it is evident that this policy has saved the company from exposure to discriminatory and confiscatory tax policies which place into question the pofitability of operating in the western provinces of Canada. The Federal Government has announced drastically higher royalties on Indian lands in provincial areas effective April 1, 1974 which would suggest much higher royalties will eventually apply on Crown lands in the Northwest Territories and Yukon.

Fortunately we anticipate Canadian production from properties in Ontario and it is our understanding that the proposed Federal tax on oil and gas production will not apply to royalty payments made to freehold landholders. All your company's oil and gas leases in Ontario are with individuals, not with governments.

Ontario gas producers are currently being offered less than half the price which will shortly have to be paid for gas purchased by Ontario distributors from Western Canada. The present monopolistic gas distributor in Southwestern Ontario has announced no policy for increasing the price it will pay for Ontario produced gas. This shortsighted policy reduces exploration incentives in Ontario with a resultant decline in employment, tax revenues and other benefits. Ontario produced gas constitutes less than one percent of gas consumed in Ontario and a fair price for it would have a negligible effect on prices paid by gas users. Any increase in cost to the consumer could be more than offset by the curtailment of unsuccessful exploration by the gas distributor in Southwestern Ontario which passes on its exploration costs in the price at which it sells its gas. We believe that Ontario gas should be priced to equal the cost of Western gas f.o.b. its point of sale in Southwestern Ontario. This is only reasonable as Ontario gas is used in substitution for gas from the west. We hope that the government of Ontario will do something to remedy this impossible situation.

Your company's exploration projects are more fully described elsewhere in this report. In summary, however, progress has been good in Michigan and a worthwhile oil and gas lease acquisition program has taken place in Utah. In this unpredictable world the United States seems the safest place for a natural resource company and Ram's activities will be concentrated there in future years.

I am pleased to announce that Howard R. Barclay has joined your company as Vice-President in charge of administration. Until recently Mr. Barclay was associated with a major Canadian trust company as Vice-President, Investments. His experience will add considerably to the quality of your company's management.

On Behalf of the Board,

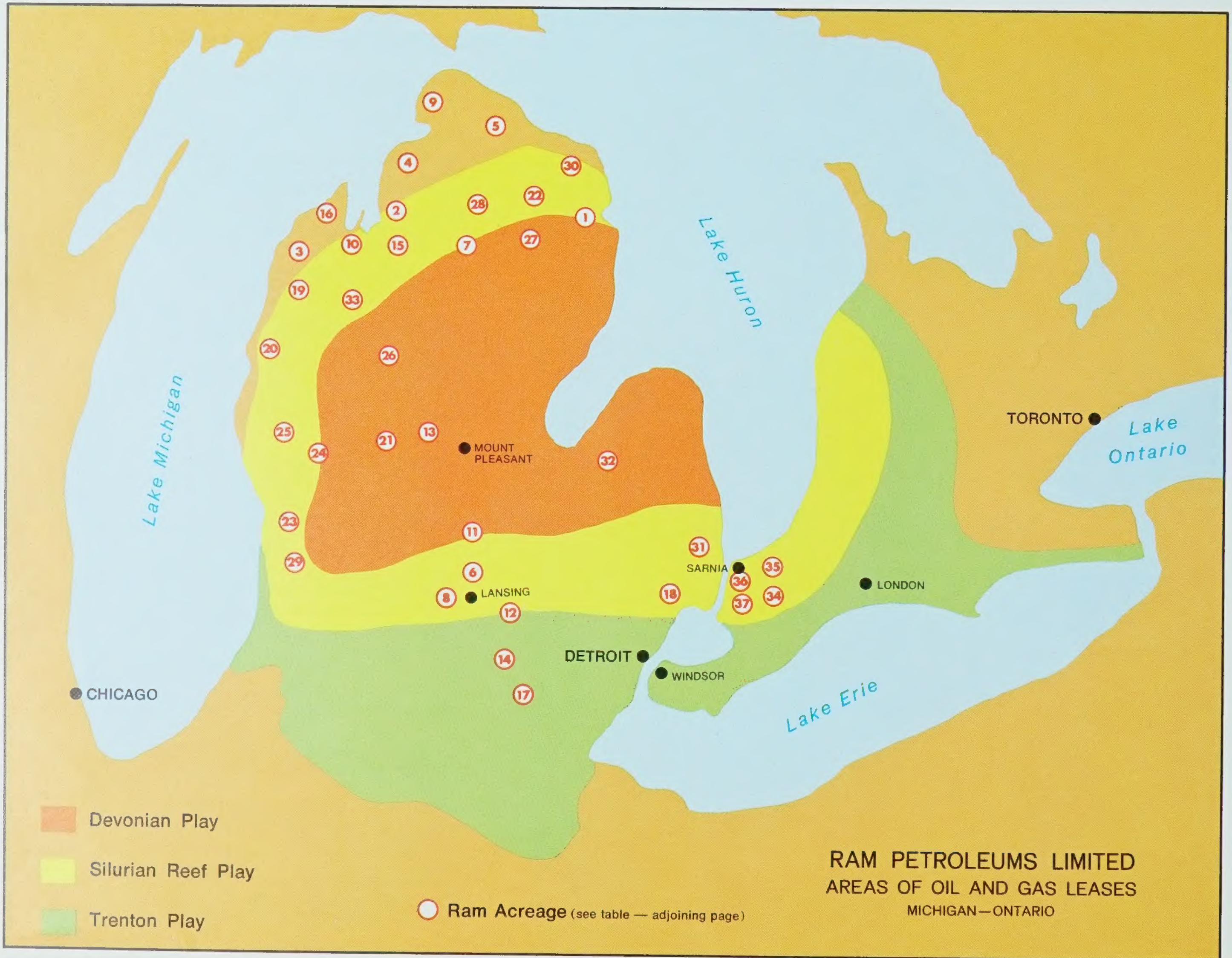
R. J. OPEKAR, President

May 13, 1974

RAM PETROLEUMS LIMITED

PRINCIPAL EXPLORATION AREAS

1. **ARCTIC ISLANDS** (Sverdrup Basin)
   Federal oil and gas exploration permits
   72,491 acres, Ram 75%, Forest Oil 25%
   107,504 acres, Ram 75%, Imperial Oil 25%
2. **NORTHWEST TERRITORIES** (Great Bear Basin)
   Federal oil and gas exploration permits
   550,058 acres, 4% gross overriding royalty
3. **YUKON**
   Pending Federal oil and gas exploration permits
   1,224,985 acres, 100%
4. **OFFSHORE BAFFIN ISLAND** (Foxe Basin)
   Federal oil and gas exploration permits
   97,092 acres, 100%
5. **DAVIS STRAIT OFFSHORE BAFFIN ISLAND**
   (Cumberland Basin)
   Federal oil and gas exploration permits
   1,087,410 acres, Ram 66⅔%, Gulf 33⅓%
6. **HUDSON BAY** (Hudson Bay Basin)
   Federal oil and gas exploration permits
   124,488 acres, 75%
7. **SASKATCHEWAN**
   Lignite coal, exploration permits & leases
   92,000 acres, 100%
8. **MICHIGAN** (Michigan Basin)
   Petroleum leases
   34,816 net acres, Ram Petroleums Inc.
9. **ONTARIO** (Michigan Basin)
   Petroleum leases
   28,744 acres, 100%
10. **UTAH**
    Petroleum leases
    20,000 acres, 100%, Ram Petroleums Inc.
11. **NEW BRUNSWICK** (Maritime Basin)
    Provincial oil and gas exploration permits
    316,800 acres onshore, 100%
12. **MAINLAND NOVA SCOTIA** (Maritime Basin)
    Provincial oil and gas exploration permits
    109,259 acres, 100%
13. **OFFSHORE NOVA SCOTIA** (Scotia Shelf)
    Provincial oil and gas exploration permits
    666,970 acres, 100%
14. **MEXTOR**
    Mextor-Pinabete Mining Area
    Silver, copper, gold, lead, zinc prospects
    Ram 91.6% owner of Mextor Minerals Ltd.


Lake Michigan
Lake Huron
Lake Ontario
Lake Erie
TORONTO
MOUNT PLEASANT
SARNIA
LONDON
LANSING
DETROIT
WINDSOR
CHICAGO
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
Devonian Play
Silurian Reef Play
Trenton Play
Ram Acreage (see table — adjoining page)
RAM PETROLEUMS LIMITED
AREAS OF OIL AND GAS LEASES
MICHIGAN—ONTARIO

OIL AND GAS EXPLORATION

MICHIGAN (MICHIGAN BASIN)

LEASEHOLD INTERESTS

Ram Petroleums Inc., your company's wholly owned U.S. subsidiary, now has in excess of 34,000 net acres under lease in the State of Michigan. This is an addition during 1973 of approximately 5,000 acres in this highly desirable area. Ram participated in a 34.5 mile seismic program over the past year on selected targets. The results indicate several interesting anomalies in which we have leasehold interests of from 9% to 75%. At least one well will be drilled before mid-year, and, depending on the outcome of certain financial negotiations, as many as four more before year-end.

ROYALTY INTERESTS

During 1973, Ram continued its policy of purchasing royalty interests along the prolific North Michigan pinnacle reef trend where Ram has royalty interests in 1,700 net acres. To date, Ram has a portion of the royalty interests in twelve discovery wells drilled by a major oil company along with royalty interests in several offsetting drilling tracts. Production from these wells is expected to commence during 1974.

PRODUCTION

Gornick 1-23 Pool (Otsego County)	
No. wells drilled	1
Producing wells	1
Percentage owned	33⅓%
Oil in place	2.8 million bbls.
Probable primary recovery	840,000 bbls.
Production start	February, 1974
Expected rate of daily production	Not yet established

Hahn 1-24 Pool (Otsego County)	
No. wells drilled	1
Producing wells	1
Percentage owned	9%
Oil in place	2.2 million bbls.
Gas in place	5.8 bcf
Probable primary recovery	672,000 bbls. oil All gas
Production start	January, 1974
Expected rate of daily production	300 bbls.

MICHIGAN

County	Leasehold Gross Acres	Leasehold Net Acres	Royalty Gross Acres	Royalty Net Acres
1 Alpena	375	316	—	—
2 Antrim	8,056	5,795	—	—
3 Benzie	637	513	—	—
4 Charlevoix	2,304	1,765	—	—
5 Cheboygan	480	480	—	—
6 Clinton	5,383	2,691	—	—
7 Crawford	5,130	3,847	200	19
8 Eaton	1,994	997	—	—
9 Emmet	160	160	—	—
10 Grand Traverse	418	355	3,311	610
11 Gratiot	4,610	2,305	—	—
12 Ingham	49	36	—	—
13 Isabella	3,043	1,521	—	—
14 Jackson	248	124	—	—
15 Kalkaska	334	245	1,028	67
16 Leelanau	2,859	953	—	—
17 Lenawee	2,020	1,010	—	—
18 Macomb	110	82	—	—
19 Manistee	2,567	1,768	4,003	750
20 Mason	950	712	319	101
21 Mecosta	968	484	—	—
22 Montmorency	773	574	—	—
23 Muskegan	80	40	—	—
24 Newaygo	671	335	—	—
25 Oceana	120	50	—	—
26 Osceola	465	232	—	—
27 Oscoda	2,775	1,387	—	—
28 Otsego	2,837	1,131	840	11
29 Ottawa	5,362	2,680	—	—
30 Presque Isle	839	839	—	—
31 St. Clair	1,032	712	—	—
32 Tuscola	1,058	529	—	—
33 Wexford	607	148	975	195
TOTAL	59,314	34,816	10,675	1,753

ONTARIO

County	Net Acres
34 Dawn	3,783
35 Enniskillen	11,585
36 Moore	8,962
37 Sombra	4,414
TOTAL	28,744

ONTARIO (MICHIGAN BASIN)

Ram Petroleums Limited has in excess of 28,500 carefully chosen acres under lease in the pinnacle reef belt of Lambton County, Southwestern Ontario. Some of the assemblies have taken up to six years to complete. Seismic surveys have been conducted over most of this land and several promising targets have been indicated. The company will drill at least six exploratory wells during 1974 and intends to blanket its holdings with a new method of exploratory survey before launching a saturation drilling program in the Province of Ontario. This could total as many as 25 exploratory wells and not be completed until late in 1976.

Your company has entered into negotiations for the outright sale of the Terminus Pool, including 4.8 bcf of gas in place. Two firm bids have been received to date and a counter-offer has been made on one of these. Amounts involved cannot be mentioned because negotiations are continuing and other bids are expected.

The Petrolia East Pool, discovered in 1972, continues to be a disappointment. With over 1.4 million barrels of anticipated recoverable oil, the current production rate of around 100 bbls. a day out of five wells is far too low. Initial production rates were much higher but declined rapidly. They have now stabilized. Before embarking on a well stimulation program to improve rates of production however, additional study will be necessary to design the most beneficial fracture procedure so as to obtain maximum production without damaging either the wells or the reservoir itself.

PRODUCTION

Petrolia East Pool (Lambton County)	
No. wells drilled	9
Producing wells	5
Percentage owned	100%
Oil in place	6.9 million bbls.
Probable primary recovery	1.4 million bbls.
Production start	August 1972
Expected rate of daily production	100 bbls.

UTAH

In late 1973, Ram began a leasing program in the Great Basin area of the State of Utah. The Great Basin is considered an unexplored "frontier" area of the U.S. Because of higher prices of domestically produced oil and natural gas, this basin is now experiencing an extensive leasing campaign by major oil companies and independents. Ram has acquired 9,567 acres adjacent to and beyond the North eastern margin of the Great Salt Lake where Amoco Production Company is leasing and where leases under the lake were recently approved for Amoco by the Utah State Land Board. Leasing is now becoming more competitive in the Great Salt Lake play with the prospect of some exploratory drilling being done this year.

Elsewhere in Utah, Ram has acquired 10,492 acres adjacent to the Utah-Wyoming border where not much exploration has taken place until recently when in excess of 250,000 acres was filed on by two Denver independents in Summit, Morgan, Rich and Cache counties. This area is within the Idaho-Wyoming Overthrust Belt adjacent to the Western boundary of the Green River Basin.

This thrust belt region meets the requirements of a petroleum province; that is, the presence of reservoir rock and caprock under structural deformation. However, it has been neglected in the past due to rugged topography and complex structure which combined with low prices received for domestically produced oil and gas provided little incentive for exploratory drilling. Utilizing the latest geophysical techniques, integrated with well thought-out surface geology, many prospects and hence hydrocarbon accumulations are expected to be discovered in this area.

ILLINOIS

We have just begun a modest leasing program in the Illinois Basin area where several Silurian reef discoveries have been made. It is hoped that we will be able to acquire enough acreage to make a seismic program worthwhile.

DAVIS STRAIT
OFFSHORE BAFFIN ISLAND
(CUMBERLAND BASIN)

Ram has Federal oil and gas exploration permits over 1,087,410 acres in the Labrador Sea off the east coast of Baffin Island adjacent to permits held by companies such as Imperial Oil Limited, Banff-Aquitaine and Siebens Oil and Gas.

This is a very prospective area where sediments up to and beyond 20,000 feet are expected to contain large reserves of hydrocarbons. Ninety percent of the oil in the world has been found in sedimentary rock of the type believed to underlie this area. The Canadian Petroleum Association's estimate of potential reserves in the area of the Grand Banks and Labrador Sea is 25 billion barrels of oil and some 150 trillion cubic feet of natural gas.

During 1971 Ram farmed out its holdings in this area to Gulf Canada Limited. Gulf can earn a 33⅓ percent interest by performing exploratory work and will have the option to earn up to 80% interest for the drilling and completion of an exploratory well. An aeromagnetic survey was completed during 1971 at no cost to your company.

During the summer of 1973, Gulf completed an extensive marine geophysical program offshore Baffin Island, a portion of which was conducted over the Ram permits. This geophysical data is presently being processed by Gulf and interpretation will follow.

OFFSHORE BAFFIN ISLAND
(FOXE BASIN)

In 1971 Ram filed on 97,092 acres of Federal permits in the Foxe Basin off the west coast of Baffin Island. This basin, although small in aerial extent, is located in the Arctic lowlands where Lower Paleozoic rocks are considered prospective for oil and gas.

RAM PETROLEUMS LIMITED
FEDERAL EXPLORATORY PERMITS
ARCTIC ISLANDS
AXEL
HEIBERG
ISLAND
ELLESMERE
ISLAND
Ellef
Ringnes
Island
Amund
Ringnes
Island
King
Christian
Island
Cornwall
Island
Graham
Island
RAM 75% FOREST OIL 25%
RAM 75% IMPERIAL 25%
DRILLING or LOCATION
DRY HOLE
GAS
SCALE — MILES
0
16
32
103°
101°
99°
97°
95°
93°
91°
89°
87°
85°
77°
78°
79°
WELL IDENTIFICATION
1 PANARCTIC HOODOO DOME H-37, D & A
2 PANARCTIC KING CHRISTIAN D-18, D & A
3 PANARCTIC KING CHRISTIAN D-18A, GAS
4 PANARCTIC AMUND CENTRAL DOME H-40, D & A
5 PANARCTIC FOSHEIM N-27, D & A
6 PANARCTIC TENNECO ET AL KING CHRISTIAN N-06,GAS
7 PANARCTIC TENNECO ET AL KRISTOFFER BAY G-06 SUSP.
8 PANARCTIC ROMULUS O-42, D & A
9 BP ET AL GRAHAM C-52, D & A
10 PANARCTIC GULF DUMBBELLS E-49, D & A
11 PANARCTIC GULF HELICOPTER J-12, D & A
12 PANARCTIC GULF WEST AMUND I-44, D & A
13 IMP. PANARCTIC DOME ET AL HOODOO L-41,D & A
14 PANARCTIC TENNECO ET AL THOR P-38, GAS
15 HORN RIVER PANARCTIC ET AL DEPOT PT. L-24, D & A
16 HORN RIVER CCS GETTY MID FIORD K-52, D & A
17 SUN GULF GLOBAL LINCKENS ISL. P-46, D & A
18 DOME ARCTIC VENTURES SUTHERLAND O-23, LOC
19 DOME ARCTIC VENTURES WALLIS K-62, GAS
20 PANARCTIC NOICE G-44, D & A
21 IMP. PANARCTIC UNION PPL E AMUND M-05, D & A
22 IMP. PANARCTIC UNION PP SHERWOOD P-37, LOC
23 IMP. PANARCTIC ET AL MOKKA A-02, D & A
24 PANARCTIC CS MAY POINT H-02, D & A
25 PANARCTIC GEMINI E-10, D & A
26 PANARCTIC UNION ARCO TALEMEN J-34, LOC

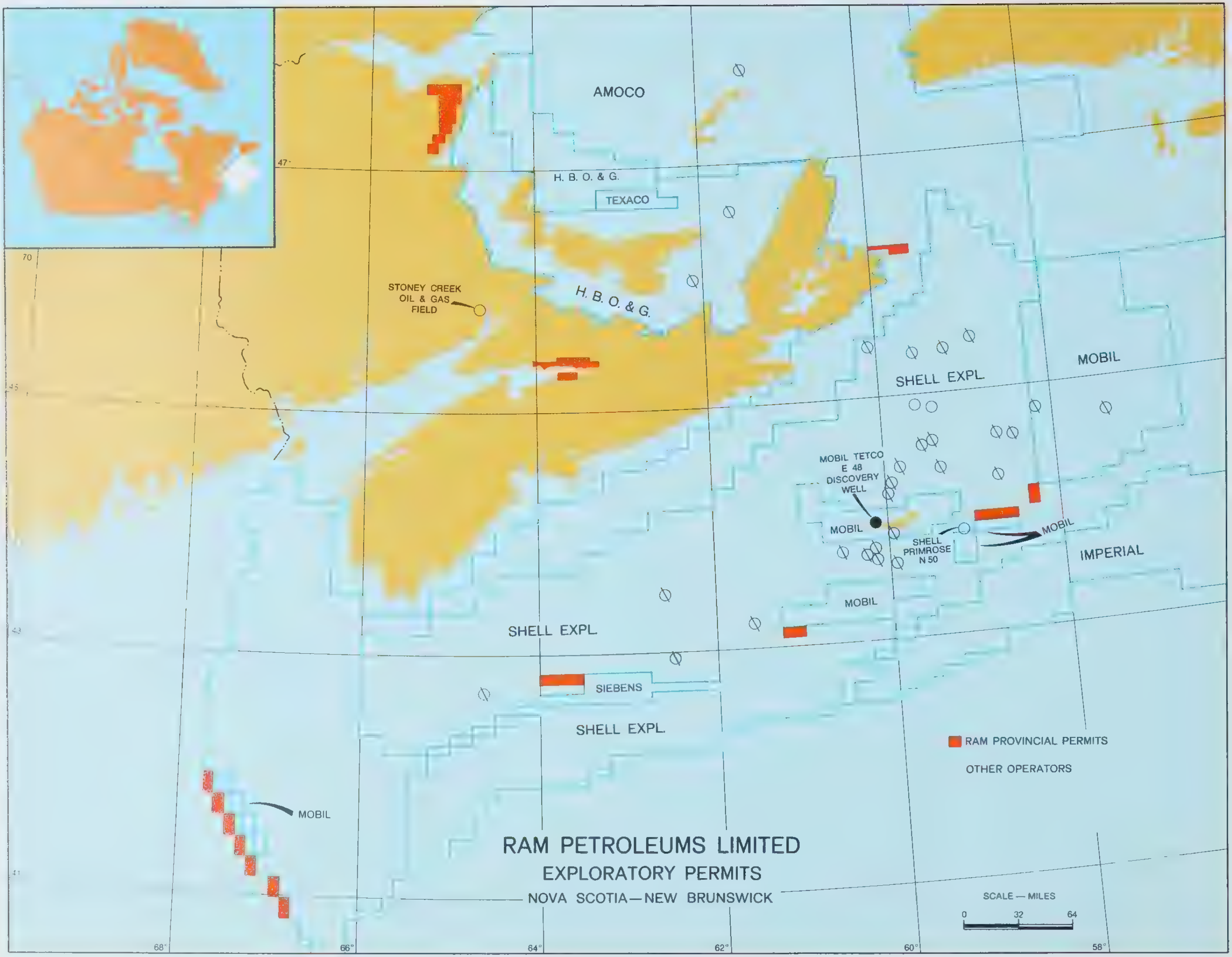
ARCTIC ISLANDS (SVERDRUP BASIN)

Ram has 179,995 acres of Federal Government exploratory oil and gas permits in the Sverdrup Basin of the Canadian Arctic Islands. These permits which are shown on the adjoining map are favourably located with respect to known geological structures, recent gas discoveries, proposed and current drilling activities.

Early in 1972 Ram farmed out two permits consisting of 107,504 acres off Amund Ringnes Island to Imperial Oil Limited who can earn a 25% working interest by satisfying work obligations up to August 9, 1980 in the amount of $279,510. Imperial has the option of increasing its interest to 100%, subject to a 20% net profits interest to Ram, by drilling a test well to evaluate the Triassic Heiberg formation or to 10,000 feet whichever is the lesser.

Subsequently Ram farmed out two permits consisting of 72,491 acres on Axel Heiberg Island to Forest Oil of Canada, Ltd., a wholly owned subsidiary of Forest Oil Corporation of Denver, Colorado. Forest can earn a 25% working interest by satisfying work obligations to 1980 in the amount of $192,101. Forest has the option of increasing its interest to 75% by drilling and completing a well on each of the permits. Ram may convert its remaining 25% working interest in any drilling tract to a 7½% gross overriding royalty.

Industry is rumoured to be planning an extensive marine seismic survey offshore Ellef Ringnes, Amund Ringnes and King Christian Islands, to be conducted during the summer of 1974. It is expected that a portion of this survey will be run in the vicinity of Ram's permits offshore Amund Ringnes Island.


AMOCO
H. B. O. & G.
TEXACO
STONEY CREEK OIL & GAS FIELD
H. B. O. & G.
SHELL EXPL.
MOBIL
MOBIL TETCO E 48 DISCOVERY WELL
MOBIL
SHELL PRIMROSE N 50
MOBIL
IMPERIAL
MOBIL
SHELL EXPL.
SIEBENS
SHELL EXPL.
MOBIL
RAM PROVINCIAL PERMITS
OTHER OPERATORS
RAM PETROLEUMS LIMITED
EXPLORATORY PERMITS
NOVA SCOTIA—NEW BRUNSWICK
SCALE — MILES
0
32
64
47°
45
43
41
70
68°
66°
64°
62°
60°
58°

OFFSHORE NOVA SCOTIA (SCOTIA SHELF)

Ram has provincial exploratory permits on 666,970 acres offshore Nova Scotia on the Scotian Shelf where extensive exploratory drilling is being carried out by Shell and Mobil in the area of the Sable Island and Primrose discoveries.

In 1972, Shell drilled the Primrose N-50 exploratory test some thirty miles east of Sable Island which confirmed the presence of a significant gas bearing structure. Two additional wells on the Primrose structure have confirmed the presence of a main gas zone uppermost of four pay zones found in the discovery well. The discovery well is located approximately three miles west of one of Ram's provincial permits.

In late 1972 Ram completed a 315 mile purchase of non-exclusive offshore seismic traversing or adjacent to Ram permits in the vicinity of Sable Island and in other areas of the Scotian shelf. During the summer of 1973 Ram shot an additional 72 miles of seismic within and in proximity to the Ram permits east of Sable Island in the vicinity of the Shell discovery on the Primrose structure. This seismic data has been processed and interpreted and appears encouraging, however, Ram does not have any additional exploratory program planned for the immediate future pending the outcome of the Federal-Provincial offshore jurisdictional dispute.

MAINLAND NOVA SCOTIA (MARITIME BASIN)

Ram has provincial exploratory permits on 109,259 acres of mainland Nova Scotia. This land is situated over three minor carboniferous basins which offer the possibility of finding production and reserves similar or better to those of the Stoney Creek field near Moncton, New Brunswick which is located in a similar geological province.

A 20.5 mile seismic program has been completed adjacent to Cobequid Bay immediately west of the town of Truro, Nova Scotia, confirming the presence of considerable thickness of carboniferous sediments. A stratigraphic drilling program on the more promising prospects is being contemplated for this area. The adjacent offshore acreage in Cobequid Bay is held by Mobil Oil Canada.

NEW BRUNSWICK (MARITIME BASIN)

Ram has 316,800 acres under provincial exploratory permit in North Eastern New Brunswick on the rim of a possible basin extending under the Gulf of St. Lawrence. Permocarboniferous sediments from 3,000 feet to 5,000 feet in thickness are postulated to underlie these onshore permits and prospective horizons include sandstone beds that are responsible for production in the Stoney Creek Field near Moncton. Ram's acreage is located adjacent to the holdings of New Brunswick Oilfields and Hudson's Bay Oil & Gas.


RAM PETROLEUMS LIMITED
ROYALTY INTERESTS
NORTHWEST TERRITORIES—GREAT BEAR LAKE AREA
126
124°
122°
67°
66°
IMPERIAL
MOBIL
ARCO
GREAT
BEAR
LAKE
RAM 4% OVERRIDING ROYALTY
OTHER OPERATORS
SCALE — MILES
0 10 20 30

MINING EXPLORATION

YUKON

Ram has 1,224,985 acres in the Yukon under tentative permit pending changes in the federal regulations.

A portion of this acreage lies in the Eagle Plain area of the Yukon where a shoreline sandstone facies of Jurrassic age is postulated as trending southwestwardly from the prolific Mackenzie Delta area through Ram's permits. As the Yukon permits are tentatively issued pending changes in the federal land regulations, Ram does not plan any immediate exploratory work on these permits.

NORTHWEST TERRITORIES (GREAT BEAR BASIN)

In 1973 Ram Petroleums Limited sold its working interest in 550,058 acres of Federal oil and gas permits in the Horton River area of the Northwest Territories to Mobil Oil Canada Limited. Ram retains a 4% gross overriding royalty on these lands while Mobil continues to explore. An extensive seismic survey has been conducted over the past two years together with a surface geological survey and Mobil plans additional seismic for this coming winter. The play is for basal Paleozoic sandstone production along the eastern edge of a wedge of Paleozoic sediments that hold potential for finding significant hydrocarbon reserves. The recently drilled Ashland et al Tidji Lake F-24 discovery well, approximately 100 miles northwest of the permits in question, gives further credibility to this play since the gas discovery was believed to have been made in basal Paleozoic sediments.

LIGNITE

During 1973 your company completed its reconnaissance drilling program on six coal concession blocks in Southern Saskatchewan. Your company's coal consultants estimate that about one billion tons of lignite have been indicated by drilling so far. Considerable additional work would have to be done to prove up the lignite reserves and for this reason your company has decided to negotiate the sale of its holdings on a basis that will give it some form of overriding royalty or carried working interest in future production. Discussions to this end with a major company are now underway.

During 1973 your company converted permits into 11,520 acres of coal leases which reduced its holding of permits to 80,480 acres.

With the higher price for natural gas and talk of even higher prices in order to develop gas in Canada's frontier areas, there is increasing interest in the production of synthetic gas from lignite. Michigan Wisconsin Pipeline Company has recently announced that it will proceed immediately to build a lignite gasification plant in North Dakota employing the Lurgi conversion process at a cost of approximately $500 million.

TREMOLITE

Your company has a 50% interest in a tremolite deposit located in Palmerston Township, Ontario as well as a 41% interest in the company owning the other 50% interest in the property. Drilling has proven 2.5 million tons of tremolite material to a depth of 200′. Further test work is planned for 1974 in order to find an economical method of removing impurities so that a saleable product can be produced. Tremolite is a chemically inert filler and binder used principally in industrial ceramics and in the manufacture of floor tiles and paint.

MEXTOR MINERALS LIMITED

Ram owns 91.6% of the outstanding shares of Mextor Minerals Limited, which through its 49% owned affiliate, Compania Minera de Pinabete, S.A., carried out a modest exploration program in Mexico during 1973. Properties examined were considered uncommercial.

Negotiations were commenced recently to offer Pinabete's main silver property to another large mining company so that it can be placed into production at no further cost to Mextor. It is intended that any final agreement will allow Mextor a substantial participation in the profits of the operation. In view of the current high price for silver, your company believes that Mextor will be successful in finding a company with the expertise and money to bring the property into production. About 500,000 tons with an average grade of 11 ozs. silver with some gold values was indicated by previous work.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1973

ASSETS

	1973	1972
Current		
Cash	$ 4,967	$ 102,603
Marketable securities, at market value	236,315	232,455
Accounts receivable	16,689	90,482
Income taxes refundable	—	36,115
Prepaid expenses	14,720	16,382
	272,691	478,037
Long Term Investment, note 1	897,600	845,312
Capital Assets, at cost, note 2	2,774,863	1,653,213
Less accumulated depreciation and amortization	387,574	356,132
	2,387,289	1,297,081
Other Assets		
Government of Canada bonds, at cost, market value $80,350 — 1972 $109,550, note 3	80,287	105,788
Other shares, at nominal value	1	1
Land, at cost	37,079	37,079
Sundry deposits and advances	15,050	26,233
	132,417	169,101
	$3,689,997	$2,789,531

LIABILITIES

	1973	1972
Current		
Bank indebtedness, note 4	$1,110,089	$ —
Accounts payable and accrued liabilities	347,070	150,085
	1,457,159	150,085
Deferred Income Taxes, note 5	67,000	187,726
Minority Interest in subsidiary company	45,215	47,111

SHAREHOLDERS' EQUITY

	1973	1972
Capital Stock		
Authorized		
150,000 6% non-cumulative preference shares, redeemable at par value $1		
8,000,000 common shares, par value 25¢		
Issued		
3,613,513 common shares	903,378	903,378
Premium on issue of shares less discount	1,026,806	1,026,806
	1,930,184	1,930,184
Retained Earnings	190,439	474,425
	2,120,623	2,404,609
	$3,689,997	$2,789,531

Approved on behalf of the Board:

R. J. OPEKAR, Director

H. R. BARCLAY, Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 1973

	1973	1972
Income		
Gas sales	$ 30,530	$498,589
Oil sales	137,679	20,002
	168,209	518,591
Less expenses	61,322	65,338
	106,887	453,253
Gain on sale of gas and oil permits	127,788	—
Interest and dividends earned	10,947	31,326
	245,622	484,579
Exploration and development expenses		
Abandoned well costs, leases and mining claims	176,825	200,502
Oil, gas and mining consulting fees	10,129	4,096
Lease and royalty payments	178,872	160,929
Exploration	57,972	257,540
	423,798	623,067
Administrative and general expenses		
Management fees	44,600	54,000
Directors' fees	9,000	9,000
Rent	11,590	16,689
Depreciation of office equipment, automobiles and amortization of improvements to leased premises	10,003	6,385
Salaries	45,242	66,796
Travel	5,617	8,420
Legal and audit	14,065	34,318
Transfer agent and stock exchange fees	2,985	14,329
Interest	54,945	18,376
Corporate and office	37,474	25,684
Adjustment of bad debt allowance	(30,215)	(28,276)
Miscellaneous	7,783	16,329
	213,089	242,050
	636,887	865,117
Loss before undernoted items	391,265	380,538
Loss (gain) on sale of securities	868	(39,417)
Provision for decline in market value of marketable securities	9,653	25,003
	10,521	(14,414)
Loss before provision for income taxes	401,786	366,124
Provision for income taxes		
Reduction of deferred taxes	117,800	142,000
Loss for the year	283,986	224,124
Retained earnings, beginning of year	474,425	698,549
Retained earnings, end of year	$190,439	$474,425

Ov. 7.85 9¢ 6.20 ¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1973

	1973	1972
Source of funds		
Sale of bonds	$ 25,500	$ 171,837
Bonds on deposit returned	—	24,625
Repayment of sundry advances	11,183	—
Sale of gas and oil permits	132,391	—
Issue of common shares for cash	—	800,881
Issue of common shares on conversion of long term payable	—	375,000
	169,074	1,372,343
Application of funds		
Operations		
Loss for the year	283,986	224,124
Items not requiring an outlay of funds		
Depreciation and amortization	(31,442)	(34,315)
Abandoned well costs, leases and mining claims written off	(176,825)	(200,502)
Deferred income taxes	117,800	142,000
Gain on sale of gas and oil permits	127,788	—
	321,307	131,307
Additions to capital assets	1,303,077	533,836
Increase in long term investment	52,288	279,937
Acquisition of minority interest (net)	1,896	—
Prior years' income tax adjustments	2,926	—
Reduction of long term payable	—	375,000
Sundry advances	—	5,333
	1,681,494	1,325,413
Increase (decrease) in working capital	(1,512,420)	46,930
Working capital, beginning of year	327,952	281,022
Working capital (deficiency), end of year	($1,184,468)	$ 327,952

AUDITORS' REPORT

To the Shareholders
Ram Petroleums Limited

We have examined the consolidated balance sheet of Ram Petroleums Limited and subsidiary companies as at 31 December 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As set out in Note 1 to the consolidated financial statements, the recovery of the long term investment of Mextor Minerals Limited in Compania Minera de Pinabete, S.A., a company in the Republic of Mexico, is dependent upon the future commercial productivity of the exploration projects of that company.

In our opinion, subject to the recovery of the long term investment referred to in the preceding paragraph, these consolidated financial statements present fairly the financial position of the Companies as at 31 December 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
6 March 1974

DUNWOODY & COMPANY
Chartered Accountants

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 1973

1. **Subsidiary Companies**

The consolidated financial statements include the accounts of the company's wholly-owned subsidiary companies, Fibrop Mines and Oils Limited and Ram Petroleums Inc. and the accounts of Mextor Minerals Limited, which is 91.6% owned.

Mextor Minerals Limited

The only asset of Mextor Minerals Limited is a long term investment in a Mexican company, Compania Minera de Pinabete, S.A. ("Pinabete") made up as follows:

	1973	1972
a) Cost of shares in Pinabete — see note (a)	$183,454	$182,964
b) Advances to Pinabete — see note (b)	611,394	559,000
c) Excess of purchase price on acquisition — see note (c)	102,752	103,348
	$897,600	$845,312

a) Cost of shares in Pinabete

The Company's interest in the exploration projects of Pinabete commenced with agreements made in 1969 and amended in November 1971, with the Mexican owner of substantially all the outstanding shares of Pinabete. Under the terms of the agreements, the Company obtained title to the major shareholder's 1,223 Class "B" shares, which shares represent a 48.92% interest in Pinabete. Of the total cost of $183,454, a sum of $56,993, plus interest at 12% per annum is repayable to the Company by the major shareholder, but is limited to the proceeds which can be realized from the sale of the major shareholder's Class "A" shares of Pinabete (representing 50.92% interest) to other Mexican nationals within a thirty-year period, to the year 2000.

The cost of the Company's investment in Pinabete will not be established until future periods and is dependent upon the future productivity of Pinabete's exploration projects.

b) Advances to Pinabete

The principal portion of the Company's advances to Pinabete have been spent in the Republic of Mexico on deferred expenditures on mining concessions which are either held by Pinabete or of which Pinabete is the beneficial holder. These concessions are near Guadalajara, Mexico, and Pinabete has the right to develop certain other properties under option agreements.

The policy of both companies is to defer expenditures until the exploration work results in discovery and acquisition of commercially mineable properties, at which time the direct exploration costs are capitalized and amortized over the life of the properties, or, to write off the expenditures if the results of the exploration work are negative.

c) The excess is the amount by which the cost of shares in Mextor Minerals Limited exceeded their book value when purchased by Ram Petroleums Limited.

Pinabete has had no income to 31 December 1973 and its assets are represented essentially by deferred expenditures.

A lawsuit, to which Pinabete has been joined, has been filed against the vendor of the Pinabete silver property claiming that the mineral rights of the mines were not legally granted to Pinabete. In the opinion of management and the legal counsel of Pinabete, the possibility of the lawsuit succeeding is remote.

2. **Capital Assets**

	1973		1972	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Interest in natural gas and oil leases	$ 949,492	$ 17,769	$ 391,858	$ 16,835
Equipment	202,920	101,313	142,252	92,869
Development costs deferred	907,701	259,628	560,711	242,734
Improvements to leased premises	4,380	4,380	4,380	3,694
Automobiles	14,946	4,484	—	—
Exploration and prospecting permits and licences	465,054	—	461,256	—
Exploration and prospecting costs deferred	230,370	—	92,756	—
	$2,774,863	$387,574	$1,653,213	$356,132

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS AT 31 DECEMBER 1973

Amortization and Depreciation Policy

Amortization of gas and oil leases, and deferred development costs, and depreciation of production equipment is based on the estimated net recoverable oil reserves and the contracted quantities of gas sales.

The accumulated development costs of abandoned wells are written off in the year of abandonment.

Exploration and prospecting costs are written off against revenue earned from subsequent production. If in any year, an exploration project is abandoned, the applicable accumulated costs are written off in that year.

Automobiles are depreciated at the rate of 30% per annum on the declining balance.

3. **Commitments**

(a) The company has deposited $80,000 par value Government of Canada Bonds as a guarantee that exploration expenditures equal thereto will be made.

(b) The Company has additional commitments for exploration expenditures for which it has given promissory notes amounting to $125,214.

4. **Bank Indebtedness**

The bank indebtedness is secured by a general assignment of debts and the Company has lodged certain of its securities as collateral security. In March 1974 the Company made an assignment under Section 82 of the Bank Act and issued a floating charge debenture for $500,000.

5. **Deferred Income Taxes**

For income tax purposes the Company has claimed expenses in excess of those recorded in the accounts, which less losses available to reduce taxable income in future years amounting to $222,582, result in a deferral of tax of $67,000 to date.

6. **Statutory Information**

	1973	1972
Remuneration of directors and senior officers (as defined by The Business Corporations Act)	$54,242	$73,935

7. **Subsequent Event**

The Company has placed privately $337,500 of unsecured 10% convertible promissory notes maturing 31 December 1974. The notes are convertible on the basis of one common share for each $2.25 of notes at any time before maturity.

8. **Comparative figures**

The comparative figures which were reported on by the Company's previous auditors have been reclassified to conform with the current presentation.

9. **Stock Options**

100,000 common shares have been set aside for the Company's key executives and employees, to be purchased at a price not less than 90% of the fair market value of the shares, exercisable as specified by the Board of Directors, within a period of not more than ten years ending 31 December 1984.

10. **Foreign Exchange**

The assets, liabilities and operations of Ram Petroleums Inc., one of the wholly-owned subsidiaries, which are in U.S. dollars, have been converted at par.

Printed in Canada.

RAM PETROLEUMS LIMITED
and consolidated subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(Subject to audit and year end adjustments)

Six months ended June 30, 1973
(With comparative figures for the six months ended June 30, 1972)

	1973	1972
Source of Funds		
Net income (loss) for the period	$ (41,302)	$ 26,429
Items not involving current funds		
Depreciation and Amortization	46,497	27,345
Deferred income taxes	—	(6,000)
Decrease in sundry deposits and advances	5,600	—
	10,995	47,774
Application of Funds		
Additions to capital assets	373,076	88,502
Increase in sundry deposits and advances	—	1,925
Investments	—	146,492
Exploration and prospecting expenditures	328,950	64,433
Decrease in minority interest in subsidiary company	22	
	702,048	301,352
Increase (decrease) in working capital position	(691,053)	(253,578)
Working capital at beginning of period	202,139	155,209
Working capital (deficiency) at end of period	$ (488,914)	$ (98,369)

AR36

RAM PETROLEUMS LIMITED
(Incorporated under the laws of Ontario)

Executive and Head Office	Suite 1000 The Simpson Tower 401 Bay Street Toronto, Ontario M5H 2Y4
Directors	HOWARD BARCLAY RICHARD H. KREMPULEC RALPH W. McDOWELL ROBERT J. OPEKAR R. BREDIN STAPELLS, Q.C.
Officers	ROBERT J. OPEKAR, President RICHARD H. KREMPULEC, Secretary
Exploration Manager	CYRIL J. HADLEY, P.Geol., P.Eng.
Transfer Agents	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario THE BANK OF BUTTERFIELD EXECUTOR AND TRUSTEE COMPANY LTD. Hamilton, Bermuda
Auditors	DUNWOODY & COMPANY Toronto, Ontario
Banker	ROYAL BANK OF CANADA 20 King St. W. Toronto, Ontario
General Counsel	STAPELLS & SEWELL Toronto, Ontario

Printed in Canada

Ram Petroleums Limited

Interim Report
For the Six Months
Ended June 30, 1973

To the Shareholders:

As you know from previous reports, your company's gas sales to Union Gas Limited from its Terminus Pool, which still contains 4.8 billion cubic feet of gas, were curtailed in 1972 so that better terms could be negotiated for the sale of gas, fixed assets and storage rights. These negotiations are underway, but unless a satisfactory agreement is arrived at by October 3, 1973, the date by which Union must conclude its agreement and meet other terms and conditions, your company intends to commence negotiations with other interested purchasers in order to obtain better terms.

Because of this curtailment of gas sales and the slower than expected development of the recently discovered reef at Petrolia East, Ontario, revenue for the six months ended June 30, 1973, was $57,565 as compared to $281,262 for the same period of 1972. Loss before extraordinary items for the period was $210,185 and after such items was $41,302 compared to a loss of $12,082 and a profit of $26,429 respectively for the same period of 1972.

Development at Petrolia East was slowed by unfavourable weather conditions during the first quarter of 1973. In June, wells Ram #15 and #18 were connected to a newly constructed pipeline gathering system. However, until very recently, start-up production problems, including equipment failures, resulted in a disappointing level of production. Well #26 is now completed and ready to be joined to the gathering system. Also, stimulation is planned for Ram #25 to improve its rate of productivity. Development well Ram #27 will soon commence drilling. Management anticipates production at Petrolia East to be at a considerably higher rate within a few months. This, in conjunction with the recent 40¢ increase in crude oil price to $3.93 per barrel, should result in much higher dollar sales.

As stated in previous reports, your company's major investment in exploration, royalty interests and oil and gas leases continues to be in Michigan. There your wholly owned subsidiary, Ram Petroleums Inc., has built up an extensive and valuable land inventory and now holds working interests in two pool discoveries and royalty interests in 13 pool discoveries made by Shell U.S. Production from these will commence in the winter of 1973-74, when gas plants will be completed and these pools will be connected to oil and gas pipelines presently nearing completion. Your U.S. subsidiary is participating to the extent of 68.75% in the drilling of an important Niagaran reef exploratory test, Rosenow Farms #1-25, located in Grant Township, Mason County, Michigan. This well was drilling at 2900′ as at August 15 with a total depth projected to be 4200′

In June your company sold its working interest in 550,058 acres of oil and gas permits in the Horton River area of the Northwest Territories to Mobil Oil Canada, Ltd. for $131,491.54. Ram will retain a 4% gross overriding royalty on these lands which will reduce to 3% in the event that the Federal Government royalty on oil increases to exceed 20%. This sale is in keeping with your company's policy of farming out frontier acreage prior to the more expensive stages of exploration thereby recovering original investment and having a carried interest while a major company continues exploration.

Your company's lignite coal exploration program in Southern Saskatchewan has met with encouragement in two areas. Further work is planned upon the final completion of a report of your company's holdings by a coal consultant.

On behalf of the Board,

R. J. OPEKAR,

President.

August 15, 1973.

Note: SUBSIDIARY COMPANIES

The consolidated financial statements include the accounts of its wholly-owned subsidiary companies, Ram Petroleums Inc. and Fibrop Mines and Oils Limited. The accounts of Mextor Minerals Limited, the shares of which were 92% owned by Ram as at June 30, 1973, are also consolidated.

RAM PETROLEUMS LIMITED
and consolidated subsidiaries

CONSOLIDATED STATEMENT OF INCOME
(Subject to audit and year end adjustments)

Six months ended June 30, 1973

(With comparative figures for the six months ended June 30, 1972)

	1973	1972
Revenue from gas production	$ 18,452	$ 277,887
Revenue from oil production	39,113	3,375
	57,565	281,262
Less Expenses	10,273	33,831
	47,292	247,431
Interest and dividend income	4,534	6,519
Total Income	51,826	253,950
Exploration and development expenses	164,773	154,443
Administrative and general expenses	97,238	123,589
Total Expenses	262,011	278,032
Income (loss) before income taxes and extraordinary items	(210,185)	(24,082)
Income taxes (recoverable)	—	(12,000)
Income (loss) before extraordinary items	(210,185)	(12,082)
Extraordinary items		
Profit on sale of securities	357	25,030
Profit on sale of oil and gas permits	129,054	—
Provision for decline in market value of marketable securities no longer required	—	13,481
Allowance for bad debts no longer required	39,472	—
Total Extraordinary Items	168,883	38,511
Net income (loss) for the period	$ (41,302)	$ 26,429
Net income (loss) per share		
before extraordinary items	(0.058)	(0.004)
after extraordinary items	(0.011)	(0.009)

RAM PETROLEUMS LIMITED

(Incorporated under the laws of Ontario)

Executive and Head Office	Suite 1000 The Simpson Tower 401 Bay Street Toronto, Ontario M5H 2Y4
Directors	HOWARD BARCLAY RICHARD H. KREMPULEC RALPH W. McDOWELL ROBERT J. OPEKAR R. BREDIN STAPELLS, Q.C.
Officers	ROBERT J. OPEKAR, President RICHARD H. KREMPULEC, Secretary
Exploration Manager	CYRIL J. HADLEY, P.Geol., P.Eng.
Transfer Agents	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario THE BANK OF BUTTERFIELD EXECUTOR AND TRUSTEE COMPANY LTD. Hamilton, Bermuda
Auditors	DUNWOODY & COMPANY Toronto, Ontario
Banker	ROYAL BANK OF CANADA 20 King St. W. Toronto, Ontario
General Counsel	STAPELLS & SEWELL Toronto, Ontario

Printed in Canada

Ram Petroleums Limited

President's Address at the Annual and Special General Meeting of Shareholders of June 29, 1973

To the Shareholders:

The following remarks were made by me at the Annual and Special General Meeting of Shareholders of Ram Petroleums Limited on June 29, 1973. They include the announcement of an important farm-out.

"On behalf of the Company, I welcome you to this Annual Meeting. First of all, I would like to announce that your company has, in recent days, sold its working interest in 550,058 acres of oil and gas permits located in the Horton River area of the Northwest Territories for a cash consideration of $131,491.54 to a major company. At the purchaser's request we have agreed not to identify the purchasing company until it advises us that we may do so. Ram retains a 4% gross overriding royalty on this acreage which may reduce to 3% in the event that the government royalty on oil increases to exceed 20%. I believe that this farm-out is the prelude to active exploration in this part of the Northwest Territories and I hope that this activity will lead to substantial profits for the company in the years ahead. The farm-out is in keeping with your company's policy of up-grading lands and then finding major companies to develop them through the more expensive stages of exploration. We have succeeded in doing this with over a million acres located in the Baffin Basin, offshore Baffin Island, where Gulf Oil Canada Limited are now conducting an extensive marine seismic program in the vicinity of our lands and in the Arctic Islands where Imperial Oil Limited and Forest Oil of Canada, Ltd. are meeting federal work obligations on our permits.

As you have read in the 1972 Annual Report, our exploration expenditures have been concentrated in the Michigan Basin. Here I also have some news of importance to the company. A seismic anomaly of good quality will be drilled commencing in a few days in Grant Township, Mason County, Michigan. This test, Rosenow Farms #1-25, will drill to an estimated total depth of 4,200 feet to test the anomaly. Your company's wholly owned U.S. subsidiary, Ram Petroleums Inc., has a 68.75% interest in the well and surrounding acreage. As I speak to you, our seismic contractors are engaged in work in Lambton County, Ontario, in a program which hopefully will result in the delineation of a number of attractive drilling targets.

In recent months, your company has actively drilled and logged bore holes in a program to delineate reserves of lignite coal in selected areas of Southern Saskatchewan where the company holds approximately 245,600 acres of coal prospecting permits. This drilling has met with some success in 3 areas and additional drilling in these areas will take place over the next 2 months. We have for some years felt that the gasification of lignite coal will precede the delivery of Arctic and Delta gas to markets in Central United States. For this reason, we have expended a considerable amount of money in the coal program, but have farmed-out land holdings in the Northwest Territories and Arctic Islands. In my opinion, the development of a large block of mineable lignite coal suitable for gasification would give the company a major asset, one far greater, perhaps than a discovery of an oil or gas pool in the Michigan Basin.

I have only touched upon two highlights of your company's extensive exploration program. I would like to point out that your management is also active in other areas. For example, we consistently attempt to obtain a higher price for gas for the natural gas producers of Ontario. We have presented our point of view to the Advisory Committee on Energy, to the Parliamentary Assistant to the Premier with special responsibilities in the field of energy policies and to the Ontario Energy Board. It seems unreasonable to me, for example, to see the chief executive officer of a large eastern gas distributing company lobby for a lower price for western gas while his company maintains an unfair gas pricing policy which fails to encourage the growth of local gas production. The price of locally produced gas in Ontario is almost 50% below the price presently being paid in the bordering State of Michigan. Not only is the price far lower, but also the quality of services demanded is far higher, particularly insofar as the gas distributor insists on a seasonal pattern of delivery which enables it to use locally produced gas in place of gas out of its storage reservoirs in order to meet the peak load demand during the winter months. We promise you, our shareholders, that we will continue to press for a fair price for gas in the Province of Ontario.

Another matter which has occupied management has been the matter of your company's status offshore Nova Scotia where it owns provincial oil and gas permits without owning the coinciding federal oil and gas permits. Here we will continue to do everything possible in discussions with the Federal and Provincial Governments concerned, and in the presentations of briefs, to ensure that our interest in these lands will be justly recognized in any solution of the federal-provincial jurisdiction dispute.

This meeting gives me the opportunity to thank Mr. Cy Hadley, your company's exploration manager, for a first rate performance in 1972 and also to tell you that we have had excellent co-operation from all our staff and from the people in the field, such as Mr. Everett Marsh and Mr. Ross Lester. I will now answer any questions you may have about the company's activities or direct them to others."

Also, please note that the enclosed sticker should be attached on the top of page 5 of your Ram 1972 Annual Report in order to correct a typing error.

On Behalf of the Board,

R. J. Opekar,
President.

July 3, 1973.

AR36 Ram Petroleums Limited

PROGRESS REPORT TO THE SHAREHOLDERS DATED MARCH 26, 1973

Last week, a major oil and gas discovery was made in Charlton Township, Otsego County, Michigan. Ram Petroleums Inc., your company's wholly owned U.S. subsidiary, has a 9% working interest in the discovery well, Hahn #1-24. Approximately 400′ of gross pay was encountered. Porosity logs indicate 338′ of net pay and the drill penetration rate indicated an exceptional much above average pay zone over a 120′ interval. Tests will be conducted as soon as possible to indicate the expected flow rate.

This discovery, the second since Ram Inc. commenced operations in Michigan, greatly enhances the possibilities of further discoveries on Ram Inc.'s extensive leaseholdings in Michigan. Your company's first discovery, #1 Alan Gornick, in which Ram Inc. has ⅓ of the working interest, has not been tested yet due to weather conditions which have made it impossible to move test equipment and tanks to the location.

In recent months Ram Inc. has benefited from seven discoveries drilled by Shell Oil Company located on or adjacent to royalty interests in which Ram Inc. participates. These discoveries are indicative of the considerable exposure achieved by Ram Inc. through the purchase of royalty interests in the Michigan pinnacle reef trend.

Since the last interim report dated December 14, 1972, your company has drilled two development wells at its Petrolia East oil reef pool with the result of one oil well and one dry hole, which has indicated the north boundary of the pool. A further well is planned to delimit the east boundary of the pool. To date, three wells have been completed of which two have been placed on production and one is awaiting further treatment prior to production.

At the present time, Sun-Gulf-Global Linckens P-46 is drilling in the Arctic Islands, an area considered very prospective for discovery of oil or gas. This exploratory test, which commenced drilling on March 6th, is located 5 miles south of a 107,504 acre oil and gas permit block in which your company holds a 75% interest subject to reduction to a 20% of net profits position after the drilling and completion of an exploratory test well by Imperial Oil Limited.